

**REPORT OF THE AUDIT OF THE  
PERRY COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2008**



**EXECUTIVE SUMMARY  
AUDIT EXAMINATION OF THE  
PERRY COUNTY FISCAL COURT**

**June 30, 2008**

Chris Gooch, Certified Public Accountant has completed the audit of the Perry County Fiscal Court for fiscal year ended June 30, 2008. We have issued unqualified opinions on the governmental activities, each major fund, and aggregate remaining fund information of Perry County, Kentucky.

**Financial Condition:**

The fiscal court had net assets of \$7,696,884 as of June 30, 2008. The fiscal court had unrestricted net assets of \$1,428,272 in its governmental activities as of June 30, 2008, with total net assets of \$7,696,884. The fiscal court had total debt principal as of June 30, 2008 of \$15,461,761 with \$603,037 due within the next year.

**Deposits:**

As of June 30, 2008, the fiscal court and component units' deposits were insured and collateralized by bank securities or bonds.

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# Chris Gooch

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To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Denny Ray Noble, Perry County Judge/Executive

Members of the Perry County Fiscal Court

## Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Perry County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Perry County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Perry County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Perry County, Kentucky, as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with the modified cash basis of accounting.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Denny Ray Noble, Perry County Judge/Executive  
Members of the Perry County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Perry County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated July 24, 2009 on our consideration of Perry County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Chris Gooch".

Chris Gooch  
Certified Public Accountant

July 24, 2009

## **PERRY COUNTY OFFICIALS**

For The Year Ended June 30, 2008

### **Fiscal Court Members:**

Denny Ray Noble	County Judge/Executive
Earl Brashear	Magistrate
Jimmy D. Neace	Magistrate (deceased May 30, 2008)
Bubby Combs	Magistrate
Audrey Neace	Magistrate (appointed June 6, 2008)

### **Other Elected Officials:**

John Carl Shackelford	County Attorney
Johnny Blair	Jailer
Haven King	County Clerk
Roger Collins	Circuit Court Clerk
Les Burgett	Sheriff
John Frank Gross	Property Valuation Administrator
Jimmy Maggard	Coroner

### **Appointed Personnel:**

Tonya Delph	County Treasurer
Joyce Napier	Finance Officer

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Office of the County Judge – Executive  
Denny Ray Noble



P.O. Drawer 210  
HAZARD, KENTUCKY 41701  
(606) 436-4513

### Management's Discussion and Analysis June 30, 2008

The financial management of Perry County, Kentucky offers readers of Perry County's financial statements this narrative overview and analysis of the financial activities of Perry County for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with other information that we have furnished in our letter of transmission and the notes to the financial statements.

#### **Financial Highlights.**

- Perry County has net capital assets of \$20,774,725 as of June 30, 2008. The fiscal court had unrestricted net assets of \$1,428,272 in its governmental activities as of June 30, 2008. Total debt principal as of June 30, 2008 was \$15,461,761 with \$603,037 due within one year.
- At the close of the current fiscal year, Perry County's governmental funds balance sheet reported a fund balance of \$2,383,920. Of this amount, \$1,339,975 is available for spending via the General Fund, Special Revenue Fund and Capital Projects Fund (unreserved fund balance), \$955,642 is available for spending via the Debt Service Fund (unreserved fund balance).
- Perry County's total indebtedness at the close of fiscal year June 30, 2008 was \$15,461,761, of which \$14,858,724 is long-term debt (due after one year). There were \$6,128,405 in debt additions and debt reductions totaled \$6,352,630.
- Expended \$1,307,854 related to waterline extensions using Coal Severance Tax funds.
- Expended \$426,098 for various bond & interest debt service payments via the General Fund.

#### **Overview of the Financial Statements**

This management discussion and analysis is intended to serve as an introduction to Perry County's basic financial statements. Perry County's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. GASB 34 requires management to include certain comparison schedules when they are available. These schedules include prior and current comparisons of general revenues by major source, and program expenses by function. Comparative schedules of net assets and capital assets net of accumulated depreciation have been included here in.

Perry County  
Management's Discussion and Analysis  
June 30, 2008  
(Continued)

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of Perry County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on Perry County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Perry County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognized revenues, expenses, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund financial statements.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of Perry County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type). Perry County's governmental activities include general governmental, protection to persons and property, roads, recreation, and social services. Perry County has no business-type activities at June 30, 2008.

The government-wide financial statements include not only Perry County itself (known as the primary government), but also legally separate entities, which have a significant operational or financial relationship with Perry County. Perry County has one such entity, the Public Properties Corporation. It is known as a blended component unit.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Perry County, like other state and local governments, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Perry County can be divided into three broad categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for

Perry County  
Management's Discussion and Analysis  
June 30, 2008  
(Continued)

*governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Perry County maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the government fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road Fund, Jail Fund, LGEA Fund, Coal Severance Project Fund, and Public Properties Corporation Bond Fund all of which are considered major funds by Perry County. Community Corrections Fund, Area Development Fund, Perry Co Emergency Fund, Forestry Fund, E-911 Fund, KREDA Fund, Public Properties Fund, CDBG Fund, and Justice Center Corporation Fund are considered non-major funds and are represented in a combined form.

Perry County adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with their budgets.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Government-wide Financial Analysis.**

**Net Assets.** As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

Perry County  
Management's Discussion and Analysis  
June 30, 2008  
(Continued)

**Net Assets (Continued).**

**Table 1**  
**Perry County's Net Assets**

Comments regarding Perry County's Net Asset comparisons:

	2008	2007
	Governmental	Governmental
	Activities	Activities
<b>Assets</b>		
Current Assets	\$ 2,383,920	\$ 3,689,678
Capital Assets	<u>20,774,725</u>	<u>23,853,767</u>
<b>Total Assets</b>	<u>\$ 23,158,645</u>	<u>\$ 27,543,445</u>
<b>Liabilities</b>		
Debt Service	<u>\$ 15,461,761</u>	<u>\$ 15,685,986</u>
<b>Total Liabilities</b>	<u>\$ 15,461,761</u>	<u>\$ 15,685,986</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	\$ 5,312,964	\$ 8,536,922
Restricted	955,648	81,267
Unrestricted	<u>1,428,272</u>	<u>3,239,270</u>
<b>Total Net Assets</b>	<u>\$ 7,696,884</u>	<u>\$ 11,857,459</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 23,158,645</u>	<u>\$ 27,543,445</u>

- Debt principal increase of \$6,128,405 and debt reduction of \$6,352,630.
- Fixed asset additions of \$678,144 for which \$531,827 were classified as infrastructure.
- Note receivable and related interest receivable decreased \$3,052,850. Considered defeased after Cintas Corporation ceased operations and moved its operations from a Perry County facility for which long-term financing and leasing was secured.

**Table 2**  
**Perry County's Changes in Net Assets**

	2008	2007
	Governmental	Governmental
	Activities	Activities
Revenues:		
Charges for Services	18,598	18,572
Operating Grants & Contributions	6,542,633	8,002,440
Capital Grants & Contributions	1,566,538	2,255,211
Taxes & Excess Fees	2,297,743	2,197,854
Miscellaneous Revenue	<u>1,120,440</u>	<u>918,562</u>
<b>Total Revenues</b>	<u>11,545,952</u>	<u>13,392,639</u>

Perry County  
Management's Discussion and Analysis  
June 30, 2008  
(Continued)

**Change in Net Assets (Continued).**

	2008	2007
	<u>Governmental</u>	<u>Governmental</u>
	<u>Activities</u>	<u>Activities</u>
Expenses:		
General Government	3,670,300	3,133,424
Protection to Persons & Property	2,436,262	2,434,425
General Health & Sanitation	1,475,128	2,516,289
Social Services	215,617	226,976
Recreation & Culture	1,019,760	405,160
Roads	3,272,365	1,829,363
Interest on Long-Term Debt	723,661	721,479
Capital Projects	-	-
<b>Total Expenses</b>	<u>12,813,093</u>	<u>11,267,116</u>
<b>Change in Net Assets</b>	<u>(1,267,141)</u>	<u>2,125,523</u>

Comments regarding Perry County's Change in Net Asset comparisons:

- Coal Severance Tax Fund intergovernmental grants and contributions were \$3,927,129 for 2007 and \$2,526,664 for 2008.
- General Health and Sanitation included \$2,173, 867 in water line extension projects for 2007.

**Financial Analysis of Perry County's Funds**

As noted earlier, Perry County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental Funds Overview.* The focus of Perry County governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Perry County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the June 30, 2008 fiscal year, the combined ending fund balance of Perry County governmental funds was \$2,383,920. Approximately 60% (\$1,428,272) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance (\$955,648) is reserved to indicate that it is not available for new spending because it is committed.

### **Financial Analysis of Perry County's Funds (Continued)**

Perry County has 5 major governmental funds. These are 1) General Fund; 2) Road Fund; 3) Jail Fund; 4) Local Government Economic Assistance Fund (LGEA) Fund; and 5) Coal Severance Project Fund. There are 12 non-major funds. They are the Community Corrections Fund, Area Development Fund, Perry Co Emergency Fund, Forestry Fund, E-911 Fund, KREDA Fund, Public Properties Fund, CDBG Fund, Justice Center Corporation Fund, Public Properties Corporation Bond Fund, Road Improvement Bond Funds and KADD Detention Center Addition Fund.

1. The General Fund is the chief operating fund of Perry County. At the end of June 30, 2008 fiscal year, unreserved fund balance of the General Fund was \$238,795, while total fund balance was \$243,720. The county received \$2,011,775 in real and personal property, motor vehicle, and other taxes for approximately 81% of the county's general fund revenues. Various other service fees, intergovernmental revenues and miscellaneous revenues make up the remaining 19% of revenue.
2. The Road Fund is the fund related to county road and bridge construction and maintenance. The Road Fund had \$49,786 in fund balance at June 30, 2008. The fund balance at the end of the previous year was \$128,670. The fiscal year 2008 expenditures for road projects were \$1,877,549.
3. The Jail Fund is used to account for the operation of Perry County's detention program. The Jail Fund had a fund balance at June 30, 2008 of \$72,287. The Jail Fund received \$168,906 for intergovernmental fees, primarily for housing prisoners. Other funds of the County contributed \$2,401,114 to the jail operations.
4. The Local Government Economic Assistance (LGEA) Fund has a fund balance of \$705,498, a decrease of \$256,149 from the previous fiscal year end.
5. The Perry County Coal Severance Special Projects Fund was restricted for various Perry County line item projects. The county received grants totaling \$2,526,664 and interest of \$890. The County expended \$2,091,915 during the fiscal year. The fund balance as of June 30, 2008 was \$188,696.
6. The Community Correction Fund received \$20,500 in state funds for various law enforcement purposes. A fund balance of \$-0- exists at June 30, 2008.
7. The Area Development Fund is used to match grants that are received through Kentucky River Area Development District. This fund has a balance of \$68 from prior year carry over and a fund balance of \$29,240 at June 30, 2008.
8. The Perry County Emergency Fund records funds from Federal Grants to be used for emergency management office equipment to support hazardous areas in Perry County. There is a fund balance of \$6,118 at June 30, 2008.
9. The Forestry Fund is used to account for funds received from fire protection. The county received \$2,292 in tax receipts. The Fund balance as of June 30, 2008 was \$5,687, a decrease of \$1,200 from the prior year.

Perry County  
Management's Discussion and Analysis  
June 30, 2008  
(Continued)

10. The E-911 fund is used to account for the operation of Perry County E-911 System. The E-911 Fund had \$106,332 in fund balance on June 30, 2008. The fund balance at the end of the previous fiscal year was \$111,588.
11. The KREDA Fund had a balance at June 30, 2008 of \$6,781. The amount of funds are reserved for bond payment of the Cintas building only.
12. The Perry County Public Properties Fund has funds remaining from bonds. There was a prior year carryover of \$14,127 and \$57 interest earned in the fiscal year ended.
13. The CDBG Fund was restricted to Perry County Water Lines. The fund was inactive during the fiscal year.
14. The Justice Center Corporation Fund was used to account for the financial resources for the construction of the Perry County Justice Center. The fund balance of \$4 exists at June 30, 2008.
15. The Public Properties Corporation Bond Fund accounts for the financial resources for the payment of general long-term debt principal and interest. The fund balance of \$955,642 exists at June 30, 2008.

**General Fund Budgetary Highlights**

Perry County's original budget was amended during the fiscal year increasing the operating budget by \$596,718. Budget amendments were made to all areas due to state and federal grants, surplus carried forward, and increase in several accounts as opposed to projected collections.

Actual operating revenues were \$232,525 less than amount originally budgeted by Fiscal Court. This decrease was primarily from Intergovernmental sources and excess fees.

Actual operating expenditures were \$121,160 less than the amount originally budgeted by Fiscal Court.

Perry County  
Management's Discussion and Analysis  
June 30, 2008  
(Continued)

### Capital Assets and Debt Administration

*Capital Assets.* Perry County's investment in capital assets for its government activities as of June 30, 2008, amounts to \$20,774,725, net of depreciation. This investment in capital assets includes land, building, improvements to land other than buildings, machinery and equipment, vehicles and infrastructure.

Major capital asset events during the 2008 fiscal year included infrastructure. Additional information on Perry County's capital assets can be found in Note 3 of this report.

**Table 3**  
**Perry County's Capital Assets, Net of Accumulated Depreciation**

	<b>Governmental Activities</b>	
	2008	2007
Infrastructure	\$ 2,842,302	\$ 3,021,367
Land	2,730,802	2,730,802
Buildings and Improvements	13,894,323	14,073,536
Vehicles and Equipment	<u>1,307,298</u>	<u>1,344,353</u>
<b>Total Net Capital Assets</b>	<b><u>\$ 20,774,725</u></b>	<b><u>\$ 21,170,058</u></b>

*Long-Term Debt.* At the end of the 2008 fiscal year, Perry County had total long-term debt outstanding of \$15,461,761. The amount of this debt due within the next year is \$603,037 and \$14,858,724 is due in subsequent years. This debt is for the detention center, the Justice Center, various vehicles and equipment and refinancing of older debt obligations. This debt is described in Note 5 of the notes to the financial statements.

### Other Matters

The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken in to account in developing the 2008-09 fiscal year budget:

- The 2008-09 fiscal year Adopted Budget continues most services at current levels with the exception for which federal or state funding is decreasing or for projects that have been completed or are nearing completion.
- Program cuts at the State level may have a negative impact on funding for County programs. The Fiscal Court may decide to alter the operations or funding of County operations impacted by State revenue shortfalls.

### Request for Information

This financial report is designed to provide a general overview of Perry County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to the Perry County Treasurer, (PO Drawer 210, Hazard, Kentucky 41702.)



**PERRY COUNTY**  
**STATEMENT OF NET ASSETS – MODIFIED CASH BASIS**

**June 30, 2008**

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**PERRY COUNTY**  
**STATEMENT OF NET ASSETS – MODIFIED CASH BASIS**

**June 30, 2008**

**Primary Government**  
**Governmental**  
**Activities**

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 2,383,920
Total Current Assets	<u>2,383,920</u>

Noncurrent Assets:

Capital Assets - Net of Accumulated Depreciation	
Land and Land Improvements	2,730,802
Buildings	13,894,323
Vehicles and Equipment	1,307,298
Infrastructure Assets - Net of Depreciation	<u>2,842,302</u>
Total Noncurrent Assets	<u>20,774,725</u>
Total Assets	<u>23,158,645</u>

**LIABILITIES**

Current Liabilities:

General Obligation Bonds Payable	160,000
Revenue Bonds Payable	250,000
Financing Obligations Payable	<u>193,037</u>
Total Current Liabilities	<u>603,037</u>

Noncurrent Liabilities:

General Obligation Bonds Payable	7,165,000
Revenue Bonds Payable	4,855,000
Financing Obligations Payable	<u>2,838,724</u>
Total Noncurrent Liabilities	<u>14,858,724</u>
Total Liabilities	<u>15,461,761</u>

**NET ASSETS**

Invested in Capital Assets, Net of Related Debt	5,312,964
Restricted For:	
Capital Projects	6
Debt Service	955,642
Unrestricted	<u>1,428,272</u>
Total Net Assets	<u>\$ 7,696,884</u>

The accompanying notes are an integral part of the financial statements.

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**PERRY COUNTY**  
**STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**

**For the Year Ended June 30, 2008**

**PERRY COUNTY**  
**STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**

**For the Year Ended June 30, 2008**

<b>Functions/Programs Reporting Entity</b>	<b>Program Revenues Received</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 3,670,300	\$ -	\$ 1,081,429	\$ -
Protection to Persons and Property	2,436,262	18,598	2,408,013	-
General Health and Sanitation	1,475,128	-	-	1,404,253
Social Services	215,617	-	215,617	-
Tourism, Recreation and Culture	1,019,760	-	803,961	162,285
Roads	3,272,365	-	2,033,613	-
Interest on Long-Term Debt	723,661	-	-	-
Total Governmental Activities	<u>\$ 12,813,093</u>	<u>\$ 18,598</u>	<u>\$ 6,542,633</u>	<u>\$ 1,566,538</u>

**General Revenues:**

Taxes:

Real Property Taxes  
Personal Property Taxes  
Motor Vehicle Taxes  
Other Taxes  
Excess Fees  
Miscellaneous  
Accrued Interest Received

Total General Revenues

Changes in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**PERRY COUNTY**  
**STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**

**For the Year Ended June 30, 2008**

**(Continued)**

**Net (Expenses) Revenues  
and Changes in Net Assets**

**Primary Government**

**Total**

**Governmental**

**Activities**

\$	(2,588,871)
	(9,651)
	(70,875)
	-
	(53,514)
	(1,238,752)
	<u>(723,661)</u>
\$	<u>(4,685,324)</u>

\$	1,111,174
	41,264
	263,823
	831,482
	50,000
	1,066,316
	<u>54,124</u>

\$	3,418,183
	(1,267,141)
	<u>8,964,025</u>

\$	<u>7,696,884</u>
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The accompanying notes are an integral part of the financial statements.

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**PERRY COUNTY**  
**BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**

**June 30, 2008**

**PERRY COUNTY**  
**BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**

**June 30, 2008**

	<b><u>General Fund</u></b>	<b><u>Road Fund</u></b>	<b><u>Jail Fund</u></b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 243,720	\$ 49,786	\$ 72,287
Investments	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 243,720</u>	<u>\$ 49,786</u>	<u>\$ 72,287</u>
<b>FUND BALANCES</b>			
Fund Balances:			
Reserved for:			
Encumbrances	4,925	58,666	21,601
Unreserved:			
General Fund	238,795	-	-
Special Revenue fund	-	(8,880)	50,686
Capital Projects Fund	-	-	-
Debt Service Fund	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>\$ 243,720</u>	<u>\$ 49,786</u>	<u>\$ 72,287</u>
Total Liabilities and Fund Balances	<u>\$ 243,720</u>	<u>\$ 49,786</u>	<u>\$ 72,287</u>

The accompanying notes are an integral part of the financial statements.

**PERRY COUNTY**  
**BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**  
**June 30, 2008**  
**(Continued)**

<b>LGEA Fund</b>	<b>Coal Severance Special Projects Fund</b>	<b>Public Properties Corporation Bond Fund</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$ 705,498	\$ 188,696	\$ -	\$ 168,287	\$ 1,428,274
-	-	995,642	4	995,646
<u>\$ 705,498</u>	<u>\$ 188,696</u>	<u>\$ 995,642</u>	<u>\$ 168,291</u>	<u>\$ 2,423,920</u>
2,751	-	-	360	88,303
-	-	-	-	238,795
702,747	188,696	-	167,925	1,101,174
-	-	-	6	6
<u>-</u>	<u>-</u>	<u>955,642</u>	<u>-</u>	<u>955,642</u>
<u>\$ 705,498</u>	<u>\$ 188,696</u>	<u>\$ 955,642</u>	<u>\$ 168,291</u>	<u>\$ 2,383,920</u>
				<u>\$ -</u>
<u>\$ 705,498</u>	<u>\$ 188,696</u>	<u>\$ 955,642</u>	<u>\$ 168,291</u>	<u>\$ 2,383,920</u>

**Reconciliation of the Balance Sheet - Governmental  
Funds to the Statement of Net Assets**

Total Fund Balances \$ 2,383,920

Amounts Reported for Governmental Activities  
in the Statement of Net Assets are Different  
because of the following:

Capital Assets Used in Governmental

Activities are not Financial Resources and are  
not Reported in the Funds

26,357,799

Accumulated Depreciation

(5,583,074)

Long-term Debt is not Due and Payable in the  
Current Period and, Therefore, is not Reported  
in the Funds

Financing Obligations

(3,031,761)

Bonded Debt

(12,430,000)

Net Assets of Governmental Activities

\$ 7,696,884

The accompanying notes are an integral part of the financial statements.

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**PERRY COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**

**For the Year Ended June 30, 2008**

**PERRY COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**

**For the Year Ended June 30, 2008**

	<b><u>General</u></b> <b><u>Fund</u></b>	<b><u>Road</u></b> <b><u>Fund</u></b>	<b><u>Jail</u></b> <b><u>Fund</u></b>	<b><u>LGEA</u></b> <b><u>Fund</u></b>
<b>REVENUES</b>				
Taxes	\$ 1,557,823	\$ -	\$ -	\$ -
Excess Fees	50,000	-	-	-
Licenses and Permits	403,952	4,286	-	-
Intergovernmental	392,818	1,607,899	168,906	3,431,476
Charges for Services	18,598	-	-	-
Miscellaneous	57,047	22,173	-	44,069
Interest	1,425	1,599	172	5,467
	<u>\$ 2,481,663</u>	<u>\$ 1,635,957</u>	<u>\$ 169,078</u>	<u>\$ 3,481,012</u>
<b>EXPENDITURES</b>				
General Government	\$ 1,627,085	\$ -	\$ -	\$ -
Protection to Persons and Property	14,474	-	1,823,320	130,185
General Health and Sanitation	70,875	-	-	111,359
Social Services	-	-	-	146,977
Tourism	44,751	-	-	-
Recreation and Culture	-	-	-	251,525
Roads	-	1,304,139	-	425,714
Debt Service	-	426,596	633,645	14,240
Capital Projects	-	-	150,000	-
Administration	1,163,461	146,814	128,131	362,845
Total Expenditures	<u>\$ 2,920,646</u>	<u>\$ 1,877,549</u>	<u>\$ 2,735,096</u>	<u>\$ 1,442,845</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ (438,983)</u>	<u>\$ (241,592)</u>	<u>\$ (2,566,018)</u>	<u>\$ 2,038,167</u>
<b>Other Financing Sources (Uses)</b>				
Bond Proceeds	-	-	231,280	-
Payment to Refund Bonds - Escrow Agent	-	-	-	-
Transfers from Other Funds	482,379	162,708	2,401,114	1,248,893
Transfers to Other Funds	(480,270)	-	-	(3,543,209)
Total Other Financing Sources (Uses)	<u>\$ 2,109</u>	<u>\$ 162,708</u>	<u>\$ 2,632,394</u>	<u>\$ (2,294,316)</u>
Net Change in Fund Balances	(436,874)	(78,884)	66,376	(256,149)
Fund Balances - Beginning	<u>680,594</u>	<u>128,670</u>	<u>5,911</u>	<u>961,647</u>
Fund Balances - Ending	<u>\$ 243,720</u>	<u>\$ 49,786</u>	<u>\$ 72,287</u>	<u>\$ 705,498</u>

The accompanying notes are an integral part of the financial statements.

**PERRY COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**  
**For the Year Ended June 30, 2008**  
**(Continued)**

<b>Coal Severance Special Projects Fund</b>	<b>Public Properties Corporation Bond Fund</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ 281,682	\$ 1,839,505
-	-	-	50,000
-	-	-	408,238
2,526,664	-	184,486	8,312,249
-	-	-	18,598
-	417,660	525,367	1,066,316
890	43,571	1,000	54,124
<u>\$ 2,527,554</u>	<u>\$ 461,231</u>	<u>\$ 992,535</u>	<u>\$ 11,749,030</u>
\$ 14,960	\$ -	\$ -	\$ 1,642,045
-	-	380,007	2,347,986
1,292,894	-	-	1,475,128
68,640	-	-	215,617
-	-	-	44,751
714,721	-	3,524	969,770
-	-	-	1,729,853
-	538,200	641,931	2,254,612
-	1,215,619	4,103	1,369,722
-	31,881	66,095	1,899,227
<u>\$ 2,091,215</u>	<u>\$ 1,785,700</u>	<u>\$ 1,095,660</u>	<u>\$ 13,948,711</u>
<u>\$ 436,339</u>	<u>\$ (1,324,469)</u>	<u>\$ (103,125)</u>	<u>\$ (2,199,681)</u>
-	6,015,000	-	6,246,280
-	(4,983,216)	-	(4,983,216)
-	-	92,062	4,387,156
(363,677)	-	-	(4,387,156)
<u>\$ (363,677)</u>	<u>\$ 1,031,784</u>	<u>\$ 92,062</u>	<u>\$ 1,263,064</u>
72,662	(292,685)	(11,063)	(936,617)
116,034	1,248,327	179,354	3,320,537
<u>\$ 188,696</u>	<u>\$ 955,642</u>	<u>\$ 168,291</u>	<u>\$ 2,383,920</u>

The accompanying notes are an integral part of the financial statements.

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**PERRY COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**

**For the Year Ended June 30, 2008**

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**PERRY COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL**  
**FUNDS TO THE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**

**For the Year Ended June 30, 2008**

**Reconciliation to the Statement of Activities:**

Net Change in Fund Balances - Total Governmental Funds	\$ (936,617)
--	--------------

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	678,144
Depreciation Expense	(1,150,887)
Disposal of Equipment	77,410
Principal on Receivable Forgiven	(159,416)
Proceeds from debt service is reflected as an increase in fund balance for fund financial statements	(6,246,280)
Less: previously recognized bond proceeds in government-wide financial statements	231,280
Proceeds from financing obligations are reflected as an increase in fund balance for fund financial statements	(113,405)
Lease and bond principal payments are expensed in the Governmental Funds as a use of current financial resources. These transactions, however, have no effect on net assets	
Financing Obligations	267,630
Bond Payments	<u>6,085,000</u>

Change in Net Assets of Governmental Activities	<u>\$ (1,267,141)</u>
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The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

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**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet – Government Funds. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet – Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets are included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Perry County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented. The County has no discretely presented component units.

**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

Blended Component Units

Perry County Justice Center Corporation

The Perry County Fiscal Court appoints a voting majority of the Justice Center Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Justice Center Corporation. Financial information for the Justice Center Corporation is blended with Perry County's financial statements. All activities of the Justice Center Corporation are accounted for as a non-major fund of the primary government.

Perry County Public Properties Corporation

The Perry County Fiscal Court appoints a voting majority of the Public Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Justice Center Corporation. Financial information for the Public Properties Corporation is blended within the Perry County's financial statements. All activities of the Public Properties Corporation are accounted for as non-major fund of the primary government.

**C. Perry County Constitutional Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Perry County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services.

**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt – consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets – resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; 3) unrestricted net assets – those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 31 following the assessment, and subject to lien and sale on April 30 following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the financial statements.

**Governmental Funds**

The primary government reports the following major governmental funds:

**General Fund** – This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

**Road Fund** – This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

Jail Fund – The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfer from the General Fund. The Governor's Office for Local Development requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Local Government Economic Assistance (LGEA) Fund – The purpose of this fund is to account for funds earmarked for economic development. The primary sources of revenue for this fund are from the state. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Coal Severance Special Project Fund – The purpose of this fund is to account for monies used to assist in community development and infrastructure throughout Perry County. The source of revenue for this fund is coal severance tax revenue passed through state government. The Governor's Office for Local Development requires the fiscal court to report and budget this fund.

Public Properties Corporation Bond Fund – The primary purpose of this fund is to pay long-term debt service obligations incurred. The source of revenue is primarily from transfers from the Fiscal Court.

The primary government also has the following non-major funds: Community Corrections Fund, Area Development Fund, Perry Co Emergency Fund, Forestry Fund, E-911 Fund, KREDA Fund, Public Properties Fund, CDBG Fund, and Justice Center Corporation Fund.

**Special Revenue Funds:**

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Coal Severance Special Project Fund, Community Corrections Fund, Area Development Fund, Perry Co Emergency Fund, Forestry Fund, E-911 Fund and KREDA Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**Capital Projects Fund:**

The Justice Center Corporation Fund and CDBG Fund are presented as capital project funds. Capital projects funds are to account for the financial resources to be used for the acquisition or construction of major capital facilities.

**Debt Service Funds:**

The Public Properties Fund and Public Properties Corporation Bond Fund are presented as debt service funds. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.



**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Deposit and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed. Only infrastructure assets placed in service on or after July 1, 2003, have been reported, as allowed by provisions of GASB 34.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 5,000	5-15
Office Furniture and Equipment	\$ 500	3-5
Vehicles	\$ 5,000	5-7
Infrastructure	\$ 20,000	2-5

**G. Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**G. Long-term Obligations (Continued)**

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest is reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet – Governmental Funds as part of the fund balance, if applicable.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 2. Deposits**

The primary government and component units maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met. Custodial credit risk is the risk that in event of bank failure the deposits may not be returned or the Perry County Fiscal Court may not recover collateral securities. The Perry County Fiscal Court requires deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance (FDIC). As of June 30, 2008, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Perry County Fiscal Court's investments consist entirely of local financial deposit money market accounts with a maturity of one-year or less. Concentrations of credit risk are the risk of loss attributed to the magnitude of the Fiscal Court's investments in a single issuer. All cash and cash equivalents of the Perry County Fiscal Court are held in local financial institutions. Foreign currency risk is the risk of changes in exchange rates effecting foreign investments. The Perry County Fiscal Court does not hold any foreign investments.

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2008 was as follows:

	Reporting Entity			
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 2,730,802	\$ -	\$ -	\$ 2,730,802
Construction in Progress	-	-	-	-
Total Capital Assets Not Being Depreciated	<u>2,730,802</u>	<u>-</u>	<u>-</u>	<u>2,730,802</u>
Capital Assets Being Depreciated:				
Buildings	15,705,728	-	-	15,705,728
Vehicles and Equipment	2,435,042	146,317	-	2,581,359
Infrastructure	<u>4,808,083</u>	<u>531,827</u>	<u>-</u>	<u>5,339,910</u>
Total Capital Assets Being Depreciated	<u>22,948,853</u>	<u>678,144</u>	<u>-</u>	<u>23,626,997</u>

**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 3. Capital Assets (Continued)**

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government:</b>				
Less Accumulated Depreciation For:				
Buildings	(1,632,192)	(179,213)	-	(1,811,405)
Vehicles and Equipment	(1,113,362)	(160,699)	-	(1,274,061)
Infrastructure	<u>(1,786,716)</u>	<u>(810,975)</u>	<u>100,083</u>	<u>(2,497,608)</u>
 Total Accumulated Depreciation	 <u>(4,532,270)</u>	 <u>(1,150,887)</u>	 <u>100,083</u>	 <u>(5,583,074)</u>
 Total Capital Assets, Being				
Depreciated, Net	<u>18,416,583</u>	<u>(472,743)</u>	<u>100,083</u>	<u>18,043,923</u>
 Governmental Activities Capital				
Assets, Net	<u>\$ 21,147,385</u>	<u>\$ (472,743)</u>	<u>\$ 100,083</u>	<u>\$ 20,774,725</u>
 <u>Governmental Activities:</u>				
General Government			\$ 129,028	
Protection to Persons and Property			88,276	
General Health and Sanitation			-	
Recreation and Culture			5,239	
Roads, Including Depreciation of General Infrastructure Assets			<u>928,344</u>	
 Total Depreciation Expense - Governmental Activities			\$ 1,150,887	

**Note 4. Receivables**

**A. Cintas Sales Corporation Receivable**

The county loaned \$3,977,000 to Cintas Sales Corporation on March 2, 1994 for the purpose of constructing a manufacturing facility. Terms of the agreement stipulate a 25-year repayment schedule at an eight percent interest rate. The original agreement stated that any shortfall in principal payments by Cintas shall be forgiven by the county and that the county will make up such difference from proceeds of coal severance monies. In December 2008, Cintas Corporation announced its plant operations closure in Perry County. In July 2009, the County entered into an agreement with Leslie-Knott-Letcher-Perry Community Action Council, Inc. to lease the facilities vacated by Cintas Corporation for five years at an annual payment of \$156,000. As a result of the significant subsequent event, the balance of the notes receivable and related accounts at June 30, 2008 are not recognized in the current year financial statements. As of June 30, 2008, the principal balance due was \$2,683,709.

Notes receivable, including currently due interest receivable in the Cintas Sales Corporation obligation, as of June 30, 2008 for the government's individual major funds and all other funds, in the aggregate, are as follows:

**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 4. Receivables (Continued)**

Due Within One Year - Principal	\$ 159,416
Due Within One Year - Interest	\$ 209,725
Due In More Than One Year	<u>2,524,293</u>
Total	<u>\$ 2,893,434</u>

Changes in notes receivable:

Balance <u>7/1/2007</u>	Principal <u>Reductions</u>	Balance <u>6/30/2008</u>
\$ <u>2,830,431</u>	\$ <u>(146,722)</u>	\$ <u>2,683,709</u>

**Note 5. Long-Term Debt**

**A. Perry County Detention Center Bond**

In December 2001, the Perry County Fiscal Court issued \$6,115,000 in General Obligation Public Project Bonds to provide long-term financing for the Perry County Detention Center. The proceeds were used to pay off three bond anticipation notes, which were used for the construction of the Perry County Detention Center. These bonds are scheduled to mature in June 2027 and have a variable interest rate of 2.0 to 5.0%. Semiannual interest payments are required in June and December and the principal amount was due each December. On November 5, 2007, the Perry County Fiscal Court issued \$4,975,000 aggregate principal amount of General Obligation Refunding Bonds, Series 2007 for the purpose of advance refunding the Detention Center Facility Project, Series 2001, maturing on or after December 1, 2011. For purposes of these financial statements, the Series 2001 issue is considered defeased as of June 30, 2008.

**B. Perry County Justice Center Bond (Phase 2)**

In April 2002, the Perry County Justice Center Corporation issued bonds in order to construct the Perry County Justice Center. On the same day, the Perry County Justice Center Corporation, Administrative Office of the Courts (AOC), and the county entered into a use and sublease agreement for the purpose of obtaining office rental space for the AOC at the Justice Center.

The Perry County Justice Center Corporation and the Kentucky Area Development Districts Financing Trust are acting as an agent for the Administrative Office of the Courts in order to plan, design, construct, manage, and maintain the Justice Building. The Perry County Justice Center Corporation and the Kentucky Area Development Districts Financing Trust expect annual rentals for use of the Justice Building to be in the full amount of the annual principal and interest requirements of the bonds. Under the terms of the use and sublease agreement, the Administrative Office of the Courts has agreed to pay directly to the paying agent bank, the use allowance payment as provided in the use and sublease agreement. The use and sublease agreement is renewable each year. The Perry County Justice Center Corporation and the Kentucky Area Development Districts Financing Trust are in reliance upon the use allowance payment in order to meet the debt service for the bonds.

**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 5. Long-Term Debt (Continued)**

**B. Perry County Justice Center Bond (Phase 2) (Continued)**

The Administrative Office of the Courts with the execution of the use and sublease agreement has expressed its intention to continue to pay the full use allowance payment in each successive biennial budget period until June 1, 2023, but the use and sublease agreement does not legally obligate the Administrative Office of Courts to do so. As of June 30, 2008, the principle balance outstanding was \$5,105,000. Debt service requirements for fiscal years ending June 30, 2008, and thereafter are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2009	229,218	250,000
2010	219,013	260,000
2011	207,945	270,000
2012	196,118	280,000
2013	183,575	290,000
2014 - 2018	701,311	1,665,000
2019 - 2023	<u>260,159</u>	<u>2,090,000</u>
	<u>\$ 1,997,339</u>	<u>\$ 5,105,000</u>

**C. Kentucky Association of Counties 2008 Ford F-250 X-Cab**

In March 2008, the Perry County Fiscal Court entered into a lease to purchase a 2008 Ford F-250 X-Cab. The lease is scheduled to mature in March 2012 and have a variable interest rate. Payments consisting of principal and interest are due the twentieth of each month.

As of June 30, 2008, the principal balance outstanding was \$31,761. Debt service requirements for fiscal years ending June 30, 2009, and thereafter is as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2009	\$ 1,028	\$ 8,037
2010	843	8,345
2011	640	8,664
2012	<u>\$ 263</u>	<u>\$ 6,715</u>
Totals	<u>\$ 2,774</u>	<u>\$ 31,761</u>

**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 5. Long-Term Debt (Continued)**

**D. KADD Lease-Cintas**

On May 14, 1998, the county entered into a lease agreement with the Kentucky Area Development District Financing Trust for the purpose of refinancing a bank note. Terms of the lease agreement stipulate a 20-year repayment schedule with semiannual interest payments and annual principal payments. As of June 30, 2008, the principal balance outstanding was \$1,210,000. Debt service requirements for fiscal years ending June 30, 2009, and thereafter are as follows:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Scheduled</u> <u>Interest</u>	<u>Scheduled</u> <u>Principal</u>
2009	68,763	95,000
2010	63,538	100,000
2011	58,038	105,000
2012	52,263	110,000
2013	46,213	115,000
2014 - 2018	<u>125,549</u>	<u>685,000</u>
Totals	<u>\$ 414,364</u>	<u>\$ 1,210,000</u>

**E. KADD Lease – Land Purchased and Demolition**

On July 1, 2000, the Perry County Kentucky Justice Center Corporation entered into a capital lease agreement with the Kentucky Area Development District, on behalf of the Administrative Office of Courts, for phase one of the Justice Center Project. These funds were for the purchase of property and the demolition of an existing building for the Justice Center Project.

The Perry County Justice Center Corporation and the Kentucky Area Development District Financing Trust are acting as an agent for the Administrative Office of the Courts in order to plan, design, construct, manage and maintain the Justice Building. The Perry County Justice Center Corporation and the Kentucky Area Development District Financing Trust expect annual rentals for use of the Justice Building to be in the full amount of the annual principal and interest requirements of this KADD lease. Under the terms of an additional use and sublease agreement, the Administrative Office of the Courts has agreed to pay directly to the paying agent bank, the use allowance payment as provided in the use and sublease agreement. The use and sublease agreement is renewable each year. The Perry County Justice Center Corporation and the Kentucky Area Development Districts Financing Trust are in reliance upon the use allowance payment in order to meet the debt service for the KADD lease.

The use allowance payment has commenced prior to the occupancy of the Justice Building by the Administrative Office of the Courts. The Administrative Office of the Courts with the execution of the use and sublease agreement has expressed its intention to continue to pay the full use allowance payment in each successive biennial budget period until May 2018, but the use and sublease agreement does not legally obligate the Administrative Office of the Courts to do so.

**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 5. Long-Term Debt (Continued)**

**E. KADD Lease – Land Purchased and Demolition (Continued)**

As of June 30, 2008, the principal balance outstanding was \$1,790,000. Debt service requirements for fiscal years June 30, 2009, and thereafter are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2009	101,005	90,000
2010	96,638	95,000
2011	91,885	100,000
2012	86,882	105,000
2013	81,210	110,000
2014 - 2018	309,510	640,000
2019 - 2022	<u>104,590</u>	<u>650,000</u>
Totals	<u>\$ 871,720</u>	<u>\$ 1,790,000</u>

**F. General Obligation Road Improvement Bond - 2005**

In October 2005, the Perry County Fiscal Court issued \$1,030,000 in General Obligation Public Projects Bonds to provide financing for the improvement of county roads. The bonds were originally scheduled to mature in April 2016 and have a variable interest rate of 3.0% to 3.6%. Semiannual interest payments are required in April and October and the principal amount is due each October.

In July 2006 an application and resolution was submitted by Perry County Fiscal Court to use Coal Severance Funds to pay off the General Obligation Public Project Bond.

In September 2006 an agreement was signed by Perry County Fiscal Court and the Commonwealth of Kentucky for \$1,233,648.92 to fund the project.

In October 2006 the Perry County Fiscal Court received the funds and in December 2006 deposited \$962,784.68 of the funds into Central Bank & Trust Road Improvement Bond Account. The remainder of the funds \$270,864.24 were used to payoff a lease for heavy equipment (\$184,039.00), refund the Road Fund for interest payment made on the General Obligation Road Improvement Bond (\$14,871.45) and the remainder (\$71,953.79) will be used to pay toward a new road bond project.

Per the bond agreement, the bonds cannot be paid off before February 1, 2010. Central Bank & Trust are holding the funds in escrow and making the required interest and principal payments from the escrowed funds until the optional redemption date.

As of June 30, 2008, the principal balance outstanding was \$855,000. Debt service requirements for fiscal years ending June 30, 2009, and thereafter is as follows:



**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 5. Long-Term Debt (Continued)**

**F. General Obligation Road Improvement Bond – 2005 (Continued)**

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2009	27,360	95,000
2010	24,391	95,000
2011	21,295	100,000
2012	17,963	105,000
2013	14,360	110,000
2014 - 2016	19,385	350,000
Totals	<u>\$ 124,754</u>	<u>\$ 855,000</u>

**G. KADD 2006 2300 Road Improvement Bond**

In October 2006, the Perry County Fiscal Court issued \$495,000 in General Obligation Road Improvement Notes to provide financing for the improvement of county roads. The bonds are scheduled to mature in November 2016 and have a variable interest rate of 4.0% to 4.5%. Semiannual interest payments are required in May and November and the principal amount is due each November.

As of June 30, 2008, the principal balance outstanding was \$455,000. Debt service requirements for fiscal years ending June 30, 2009, and thereafter is as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2009	19,215	40,000
2010	17,450	45,000
2011	15,515	45,000
2012	13,425	50,000
2013	11,225	50,000
2014 - 2017	20,588	225,000
Totals	<u>\$ 97,418</u>	<u>\$ 455,000</u>

**H. General Obligation Road Improvement Bond Series 2007**

In August 2007, the Perry County Fiscal Court issued \$1,040,000 in General Obligation Road Improvement Notes to provide financing for the improvement of county roads. The bonds are scheduled to mature in August 2010 and have an interest rate of 4.0%. Semiannual interest payments are required in August and February and the principal amount is due in August 2010.

As of June 30, 2008, the principal balance outstanding was \$1,040,000. Debt service requirements for fiscal years ending June 30, 2009, and thereafter is as follows:

**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 5. Long-Term Debt (Continued)**

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2009	41,600	-
2010	41,600	-
2011	<u>20,800</u>	<u>1,040,000</u>
Totals	<u><u>104,000</u></u>	<u><u>1,040,000</u></u>

**I. General Obligation Refunding Bond, Series 2007**

In November 2007, the Perry County Fiscal Court issued \$4,975,000 in General Obligation Bonds to refund the Perry County Detention Center Bond from December 2001. The bonds are scheduled to mature in December 2026 and have an interest rate of 3.85%. Semiannual interest payments are required in June and December with principal amount due each December.

As of June 30, 2008, the principal balance outstanding was \$4,975,000. Debt service requirements for fiscal years ending June 30, 2009, and thereafter is as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2009	191,056	25,000
2010	190,094	25,000
2011	189,131	25,000
2012	184,319	225,000
2013	175,368	240,000
2014 - 2018	731,596	1,315,000
2019 - 2023	451,220	1,600,000
2024 - 2027	<u>119,542</u>	<u>1,520,000</u>
Totals	<u><u>2,232,326</u></u>	<u><u>4,975,000</u></u>

**J. KACO Leasing Trust - Excavator**

In October 1, 2007, Perry County financed a purchased through the Kentucky Association of Counties Leasing Trust of a 2007 305C CR mini hydraulic excavator for \$79,682. As of June 30, 2008, the principal balance outstanding was \$-0-.

**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 5. Long-Term Debt (Continued)**

**K. Changes in Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Primary Government:</b>					
Governmental Activities:					
General Obligation Bonds	\$ 7,155,000	\$ 6,015,000	\$ (5,845,000)	\$ 7,325,000	\$ 160,000
Revenue Bonds	5,345,000	-	(240,000)	\$ 5,105,000	250,000
Financing Obligations	<u>3,185,986</u>	<u>113,405</u>	<u>(267,630)</u>	<u>3,031,761</u>	<u>193,037</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 15,685,986</u>	<u>\$ 6,128,405</u>	<u>\$ (6,352,630)</u>	<u>\$ 15,461,761</u>	<u>\$ 603,037</u>

**Note 6. Employee Retirement System**

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement System. This is a cost-sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefits, contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.17 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 33.87 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

**Note 7. Deferred Compensation**

The Perry County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employee's Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplementary retirement plans for all state, public school and university employees and employees of local

**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 7. Deferred Compensation (Continued)**

political subdivisions that have elected to participate. These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees Deferred Compensation Authority, 101 Sea Hero Road, Suite #110, Frankfort, Kentucky 40601-8862.

**Note 8. Insurance**

For the fiscal year ended June 30, 2008, Perry County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 9. Commitments**

The Fiscal Court, acting as a political subdivision for a private activity bond issue, entered into a promissory note arrangement in the amount of \$4,600,000 with Appalachian Regional Healthcare, Inc. which proceeds were used to finance improvements to medical facilities located in Perry County, Kentucky. Debt service payments will not be administered directly by Fiscal Court personnel. The Fiscal Court has no obligation to repay the bond issue.

Cintas Corporation ceased its Perry County operations facility in December 2008. The government wide financial statements reflected a notes receivable and related interest in the amount of \$2,893,434 at June 30, 2008 reclassified as forgiven based on terms of the original note between the County and Cintas Corporation.

**Note 10. Adjustments to Net Assets**

The following adjustments were made to net assets at July 1, 2007:

Decrease in Net Assets - Receivables Related to Cintas Corporation Perry County Public Properties Corporation forgiven by lender.	<u>\$ 2,893,434</u>
Decrease in Net Assets - Asset Disposal \$27,693 and Depreciation \$50,366 not previously recognized	<u>\$ 22,673</u>

**PERRY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information – Modified Cash Basis**  
**For The Year Ended June 30, 2008**

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**PERRY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information – Modified Cash Basis**

**For The Year Ended June 30, 2008**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts, (Budgetary Basis)</b>	<b>Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Taxes	\$ 1,585,000	\$ 1,585,000	\$ 1,557,823	\$ (27,177)
Excess Fees	73,188	73,188	50,000	(23,188)
Licenses and Permits	307,000	307,000	403,952	96,952
Intergovernmental Revenue	647,500	647,500	392,818	(254,682)
Charges for Service	65,400	65,400	18,598	(46,802)
Miscellaneous	33,700	33,700	57,047	23,347
Interest	2,400	2,400	1,425	(975)
Total Revenues	<u>\$ 2,714,188</u>	<u>\$ 2,714,188</u>	<u>\$ 2,481,663</u>	<u>\$ (232,525)</u>
<b>EXPENDITURES</b>				
General Government	\$ 1,304,413	\$ 1,710,504	\$ 1,627,085	\$ 83,419
Protection to Persons and Property	13,625	14,475	14,474	1
General Health and Sanitation	34,000	71,700	70,875	825
Recreation & Culture	25,000	-	-	-
Tourism	69,700	53,100	44,751	8,349
Administration	998,350	1,192,027	1,163,461	28,566
Total Expenditures	<u>\$ 2,445,088</u>	<u>\$ 3,041,806</u>	<u>\$ 2,920,646</u>	<u>\$ 121,160</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ 269,100</u>	<u>\$ (327,618)</u>	<u>\$ (438,983)</u>	<u>\$ (353,685)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	-	-	482,379	482,379
Transfers To Other Funds	(619,100)	(352,975)	(480,270)	(127,295)
Total other Financing Sources (Uses)	<u>\$ (619,100)</u>	<u>\$ (352,975)</u>	<u>\$ 2,109</u>	<u>\$ 355,084</u>
Net Changes in Fund Balances	(350,000)	(680,593)	(436,874)	243,719
Fund Balances - Beginning	<u>350,000</u>	<u>680,593</u>	<u>680,594</u>	<u>1</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 243,720</u>	<u>\$ 243,720</u>

**PERRY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information – Modified Cash Basis**

**For The Year Ended June 30, 2008 (Continued)**

	<b>ROAD FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<u>Original</u>	<u>Final</u>	<u>Amounts, (Budgetary Basis)</u>	<u>Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Licenses and Permits	\$ 3,200	\$ 3,200	\$ 4,286	\$ 1,086
Intergovernmental Revenue	1,455,500	1,850,086	1,607,899	(242,187)
Miscellaneous	-	-	22,173	22,173
Interest	3,000	3,000	1,599	(1,401)
Total Revenues	<u>\$ 1,461,700</u>	<u>\$ 1,856,286</u>	<u>\$ 1,635,957</u>	<u>\$ (220,329)</u>
<b>EXPENDITURES</b>				
Roads	\$ 1,276,535	\$ 1,335,482	\$ 1,304,139	\$ 31,343
Debt Service	92,700	526,799	426,596	100,203
Administration	174,600	175,200	146,814	28,386
Total Expenditures	<u>\$ 1,543,835</u>	<u>\$ 2,037,481</u>	<u>\$ 1,877,549</u>	<u>\$ 159,932</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ (82,135)</u>	<u>\$ (181,195)</u>	<u>\$ (241,592)</u>	<u>\$ (60,397)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	-	-	162,708	162,708
Transfers To Other Funds	(167,865)	(68,805)	-	68,805
Total other Financing Sources (Uses)	<u>\$ (167,865)</u>	<u>\$ (68,805)</u>	<u>\$ 162,708</u>	<u>\$ 231,513</u>
Net Changes in Fund Balances	(250,000)	(250,000)	(78,884)	171,116
Fund Balances - Beginning	<u>250,000</u>	<u>250,000</u>	<u>128,670</u>	<u>(121,330)</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,786</u>	<u>\$ 49,786</u>



**PERRY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information – Modified Cash Basis**

**For The Year Ended June 30, 2008 (Continued)**

	<b><u>JAIL FUND</u></b>		
	Budgeted Amounts		Actual
	<u>Original</u>	<u>Final</u>	Amounts, (Budgetary Basis)
			Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenue	\$ 187,000	\$ 187,000	\$ 168,906
Miscellaneous	10,000	10,000	-
Interest	200	200	172
Total Revenues	<u>\$ 197,200</u>	<u>\$ 197,200</u>	<u>\$ 169,078</u>
<b>EXPENDITURES</b>			
Protection to Persons and Properties	\$ 1,344,788	\$ 1,870,883	\$ 1,823,320
Debt Service	219,296	635,604	633,645
Capital Projects	-	150,714	150,000
Administration	113,000	128,516	128,131
Total Expenditures	<u>\$ 1,677,084</u>	<u>\$ 2,785,717</u>	<u>\$ 2,735,096</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ (1,479,884)</u>	<u>\$ (2,588,517)</u>	<u>\$ (2,566,018)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers From Other Funds	1,464,884	3,093,317	2,401,114
Transfers To Other Funds	-	(751,079)	-
Bond Proceeds	-	231,279	231,280
Total other Financing Sources (Uses)	<u>\$ 1,464,884</u>	<u>\$ 2,573,517</u>	<u>\$ 2,632,394</u>
Net Changes in Fund Balances	(15,000)	(15,000)	66,376
Fund Balances - Beginning	<u>15,000</u>	<u>15,000</u>	<u>5,911</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,287</u>

**PERRY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information – Modified Cash Basis**

**For The Year Ended June 30, 2008 (Continued)**

<b>LOCAL GOVERNMENT ECONOMIC ASSISTANCE</b>				
	<b><u>FUND</u></b>		<b>Actual</b>	<b>Variance with</b>
	<b>Budgeted Amounts</b>		<b>Amounts,</b>	<b>Final Budget</b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b>(Budgetary</b>	<b>Positive</b>
			<b><u>Basis</u></b>	<b><u>(Negative)</u></b>
<b>REVENUES</b>				
Licenses and Permits	\$ 50,000	\$ 50,000	\$ -	\$ (50,000)
Intergovernmental Revenue	2,255,000	3,666,162	3,431,476	(234,686)
Miscellaneous	30,700	30,700	44,069	13,369
Interest	9,000	9,000	5,467	(3,533)
Total Revenues	<u>\$ 2,344,700</u>	<u>\$ 3,755,862</u>	<u>\$ 3,481,012</u>	<u>\$ (274,850)</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property	\$ 171,735	\$ 176,535	\$ 130,185	\$ 46,350
General Health and Sanitation	237,407	267,507	111,359	156,148
Social Services	28,000	156,917	146,977	9,940
Recreation and Culture	187,200	252,593	251,525	1,068
Roads	660,000	631,500	425,714	205,786
Debt Service	21,000	21,000	14,240	6,760
Capital Projects	-	-	-	-
Administration	445,000	445,000	362,845	82,155
Total Expenditures	<u>\$ 1,750,342</u>	<u>\$ 1,951,052</u>	<u>\$ 1,442,845</u>	<u>\$ 508,207</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ 594,358</u>	<u>\$ 1,804,810</u>	<u>\$ 2,038,167</u>	<u>\$ 233,357</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	-	-	1,248,893	1,248,893
Transfers To Other Funds	(1,394,358)	(2,766,457)	(3,543,209)	(776,752)
Total other Financing Sources (Uses)	<u>\$ (1,394,358)</u>	<u>\$ (2,766,457)</u>	<u>\$ (2,294,316)</u>	<u>\$ 472,141</u>
Net Changes in Fund Balances	(800,000)	(961,647)	(256,149)	705,498
Fund Balances - Beginning	<u>800,000</u>	<u>961,647</u>	<u>961,647</u>	<u>-</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 705,498</u>	<u>\$ 705,498</u>

**PERRY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information – Modified Cash Basis**

**For The Year Ended June 30, 2008 (Continued)**

<b>COAL SEVERANCE SPECIAL PROJECTS FUND</b>				
	Budgeted Amounts		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts, (Budgetary <u>Basis</u> )	Final Budget Positive ( <u>Negative</u> )
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 2,902,152	\$ 2,902,152	\$ 2,526,664	\$ (375,488)
Interest	<u>3,000</u>	<u>3,000</u>	<u>890</u>	<u>(2,110)</u>
Total Revenues	<u>\$ 2,905,152</u>	<u>\$ 2,905,152</u>	<u>\$ 2,527,554</u>	<u>\$ (377,598)</u>
<b>EXPENDITURES</b>				
General Government	\$ 3,055,152	\$ 661,466	\$ 14,960	\$ 646,506
General Health and Sanitation	-	1,300,000	1,292,894	7,106
Social Services	-	101,032	68,640	32,392
Recreation and Culture	-	<u>992,654</u>	<u>714,721</u>	<u>277,933</u>
Total Expenditures	<u>\$ 3,055,152</u>	<u>\$ 3,055,152</u>	<u>\$ 2,091,215</u>	<u>\$ 963,937</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ (150,000)</u>	<u>\$ (150,000)</u>	<u>\$ 436,339</u>	<u>\$ 586,339</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	-	-	-	-
Transfers To Other Funds	<u>-</u>	<u>-</u>	<u>(363,677)</u>	<u>(363,677)</u>
Total other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (363,677)</u>	<u>\$ (363,677)</u>
Net Changes in Fund Balances	(150,000)	(150,000)	72,662	222,662
Fund Balances - Beginning	<u>150,000</u>	<u>150,000</u>	<u>116,034</u>	<u>(33,966)</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 188,696</u>	<u>\$ 188,696</u>

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**PERRY COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2008**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. Formal budgets are not adopted for the General Obligation Bond Fund, and the Justice Center Expansion Corporation Fund.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The Budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

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**PERRY COUNTY  
COMBINING BALANCE SHEET –  
NON-MAJOR GOVERNMENTAL FUNDS – MODIFIED CASH BASIS  
Other Supplementary Information**

**June 30, 2008**

**PERRY COUNTY**  
**COMBINING BALANCE SHEET –**  
**NON-MAJOR GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2008**

	<b>Community Corrections <u>Fund</u></b>	<b>Area Development <u>Fund</u></b>	<b>Perry Co Emergency <u>Fund</u></b>	<b>Forestry <u>Fund</u></b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ -	\$ 29,240	\$ 6,118	\$ 5,687
Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u><u>\$ -</u></u>	<u><u>\$ 29,240</u></u>	<u><u>\$ 6,118</u></u>	<u><u>\$ 5,687</u></u>
<b>FUND BALANCE</b>				
Fund Balances:				
Reserved for Encumbrances	\$ -	\$ -	\$ -	\$ -
Unreserved:				
Special Revenue Funds	-	29,240	6,118	5,687
Capital Project Funds	-	-	-	-
Debt Service Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u><u>\$ -</u></u>	<u><u>\$ 29,240</u></u>	<u><u>\$ 6,118</u></u>	<u><u>\$ 5,687</u></u>



**PERRY COUNTY**  
**COMBINING BALANCE SHEET –**  
**NON-MAJOR GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**June 30, 2008**  
**(Continued)**

<b><u>E-911</u></b> <b><u>Fund</u></b>	<b><u>KREDA</u></b> <b><u>Fund</u></b>	<b><u>Public</u></b> <b><u>Properties</u></b> <b><u>Fund</u></b>	<b><u>CDBG</u></b> <b><u>Fund</u></b>	<b><u>Justice</u></b> <b><u>Center</u></b> <b><u>Corporation</u></b> <b><u>Fund</u></b>	<b><u>Total</u></b> <b><u>Non-Major</u></b> <b><u>Governmental</u></b> <b><u>Funds</u></b>
\$ 106,332	\$ 6,781	\$ 14,127	\$ 2	\$ -	\$ 168,287
-	-	-	-	4	4
<u>\$ 106,332</u>	<u>\$ 6,781</u>	<u>\$ 14,127</u>	<u>\$ 2</u>	<u>\$ 4</u>	<u>\$ 168,291</u>
\$ 360	\$ -	\$ -	\$ -	\$ -	\$ 360
105,972	6,781	14,127	-	-	167,925
-	-	-	2	4	6
-	-	-	-	-	-
<u>\$ 106,332</u>	<u>\$ 6,781</u>	<u>\$ 14,127</u>	<u>\$ 2</u>	<u>\$ 4</u>	<u>\$ 168,291</u>

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**PERRY COUNTY**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2008**

**PERRY COUNTY**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2008**

	<b>Community Corrections <u>Fund</u></b>	<b>Area Development <u>Fund</u></b>	<b>Perry Co Emergency <u>Fund</u></b>	<b>Forestry <u>Fund</u></b>
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ 2,292
Intergovernmental	20,500	33,216	2,135	-
Miscellaneous	-	-	-	-
Interest	28	59	-	32
Total Revenues	<u>\$ 20,528</u>	<u>\$ 33,275</u>	<u>\$ 2,135</u>	<u>\$ 2,324</u>
<b>EXPENDITURES</b>				
Protection to Persons and property	\$ 30,326	\$ -	\$ -	\$ -
Debt Service	-	-	-	-
Capital Projects	-	4,103	-	-
Recreation and Culture	-	-	-	3,524
Administration	-	-	-	-
Total Expenditures	<u>\$ 30,326</u>	<u>\$ 4,103</u>	<u>\$ -</u>	<u>\$ 3,524</u>
Excess (deficiency) of Revenues over Expenditures Before Other Financing Sources (Uses)	<u>\$ (9,798)</u>	<u>\$ 29,172</u>	<u>\$ 2,135</u>	<u>\$ (1,200)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond proceeds	-	-	-	-
Transfers from other funds	62	-	-	-
Transfers to other funds	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ 62</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Change in Fund Balances	(9,736)	29,172	2,135	(1,200)
Fund Balances - Beginning	<u>9,736</u>	<u>68</u>	<u>3,983</u>	<u>6,887</u>
Fund Balances - Ending	<u><u>\$ -</u></u>	<u><u>\$ 29,240</u></u>	<u><u>\$ 6,118</u></u>	<u><u>\$ 5,687</u></u>

**PERRY COUNTY****COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS – MODIFIED CASH BASIS****Other Supplementary Information****For The Year Ended June 30, 2008****(Continued)**

<b><u>E-911 Fund</u></b>	<b><u>KREDA Fund</u></b>	<b><u>Public Properties Fund</u></b>	<b><u>CDBG Fund</u></b>	<b><u>Justice Center Corporation Fund</u></b>	<b><u>Total Non-Major Governmental Funds</u></b>
\$ 279,390	\$ -	\$ -	\$ -	\$ -	\$ 281,682
128,635	-	-	-	-	184,486
-	51,579	-	-	473,788	525,367
450	114	57	-	260	1,000
<u>\$ 408,475</u>	<u>\$ 51,693</u>	<u>\$ 57</u>	<u>\$ -</u>	<u>\$ 474,048</u>	<u>\$ 992,535</u>
\$ 349,681	\$ -	\$ -	\$ -	\$ -	\$ 380,007
-	163,398	-	-	478,533	641,931
-	-	-	-	-	4,103
-	-	-	-	-	3,524
64,050	-	-	-	2,045	66,095
<u>\$ 413,731</u>	<u>\$ 163,398</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 480,578</u>	<u>\$ 1,095,660</u>
<u>\$ (5,256)</u>	<u>\$ (111,705)</u>	<u>\$ 57</u>	<u>\$ -</u>	<u>\$ (6,530)</u>	<u>\$ (103,125)</u>
-	-	-	-	-	-
-	92,000	-	-	-	92,062
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 92,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92,062</u>
(5,256)	(19,705)	57	-	(6,530)	(11,063)
111,588	26,486	14,070	2	6,534	179,354
<u>\$ 106,332</u>	<u>\$ 6,781</u>	<u>\$ 14,127</u>	<u>\$ 2</u>	<u>\$ 4</u>	<u>\$ 168,291</u>

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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# **Chris Gooch**

Certified Public Accountant  
P.O. Box 1536  
Hazard, Kentucky 41702  
(606) 436-5700

FAX: (606) 436-5701

The Honorable Denny Ray Noble, Perry County Judge/Executive  
Members of the Perry County Fiscal Court

## **Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Perry County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements and have issued a report thereon dated July 24, 2009. Perry County prepares its financial statements in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Perry County Fiscal Court's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of the internal control over financial reporting was for a limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards**  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Perry County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of Perry County Fiscal Court, management and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Chris Gooch".

Chris Gooch  
Certified Public Accountant

July 24, 2009

**CERTIFICATION OF COMPLIANCE –  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**PERRY COUNTY FISCAL COURT**

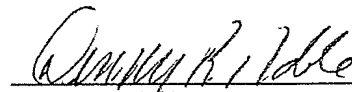
**For the Fiscal Year Ended  
June 30, 2008**

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CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
PERRY COUNTY FISCAL COURT

For the year ended June 30, 2008

The Perry County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by applicable Kentucky Revised Statutes.

A handwritten signature in cursive script, appearing to read "Denny R. Noble", is written over a horizontal line.

Denny Ray Noble  
County Judge Executive